



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

JUN 08 2005

VIA FIRST-CLASS MAIL

N. Bradley Litchfield
William J. Farah
Oldaker, Biden & Belair, LLP
818 Connecticut Ave., N.W.
Suite 1100
Washington, D.C. 20006

RE: MUR 5398
LifeCare Holdings, Inc.
LifeCare Management Services, LLC

Dear Messrs. Litchfield and Farah:

On June 3, 2005, the Federal Election Commission accepted the signed conciliation agreement and civil penalty submitted on your client's behalf in settlement of a violation of 2 U.S.C. §§ 441b(a) and 441f, provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). Accordingly, the file has been closed in this matter as it pertains to your clients.

The Commission reminds you that the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) still apply, and that this matter is still open with respect to other respondents. The Commission will notify you when the entire file has been closed.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the civil penalty is due within 30 days of the effective date of the conciliation agreement. If you have any questions, please contact me at (202) 694-1650.

Sincerely,

A handwritten signature in black ink, appearing to read "April J. Sands". The signature is fluid and cursive.

April J. Sands
Attorney

Enclosure
Conciliation Agreement

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BEFORE THE FEDERAL ELECTION COMMISSION**In the Matter of****Life Care Holdings, Inc.
Life Care Management Services, LLC****MUR 5398****CONCILIATION AGREEMENT**

This matter was initiated through voluntary self-reporting by LifeCare Holdings, Inc. ("LifeCare") and LifeCare Management Services, LLC ("LMS") (referred to collectively hereinafter as "the Respondents"), which notified the Federal Election Commission ("the Commission") that two former officers may have used corporate funds to reimburse federal political contributions and pay for federal political fundraising expenses. Based on this information ascertained in the normal course of carrying out its supervisory responsibilities, the Commission found reason to believe that the Respondents had violated 2 U.S.C. §§ 441b and 441f.

NOW, THEREFORE, the Commission and the Respondents, having participated in informal methods of conciliation prior to a finding of probable cause to believe, do hereby agree as follows:

- I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).
- II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.
- III. Respondents enter voluntarily into this agreement with the Commission.
- IV. The pertinent facts in this matter are as follows:

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MUR 5398
Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

Relevant Persons

1. LifeCare is a privately-held for-profit health care company that is incorporated and headquartered in Texas. LifeCare is the parent company of a chain of long-term acute care hospitals. LMS is a wholly-owned subsidiary of LifeCare and provides management services to LifeCare and the long-term acute care hospitals it operates. LMS was established in Louisiana as an LLC with LifeCare as its sole member. For purposes of this agreement, no distinction is made between LifeCare and LMS, except in cases where a distinction may be relevant.

2. David LeBlanc co-founded LifeCare in 1992. Prior to the 1998 recapitalization of the company by outside investors, Mr. LeBlanc and his spouse, Hedy LeBlanc, were two of the principal owners of the company. Following the recapitalization, Mr. LeBlanc retained a substantial financial interest in LifeCare and continued to serve as a member of the company's Board of Directors. From 1992 through February 2003, when he was terminated by the Board, Mr. LeBlanc held the title of President and Chief Executive Officer of both Life Care and LMS.

3. Mr. Donald Boucher served as LMS' Director/Vice President for Government Relations during the applicable period. Mr. Boucher's position was eliminated in early 2003, prior to the internal investigation leading to LifeCare's voluntary disclosure to the Commission.

Applicable Law

4. Corporations are prohibited from making contributions or expenditures from their general treasury funds in connection with any election of any candidate for federal office. 2 U.S.C. § 441b(a). In addition, section 441b(a) prohibits any officer or

MUR 5398
Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

director of any corporation from consenting to any contribution or expenditure by the corporation. Section 441b(a) also makes it unlawful for any candidate, political committee, or other person to knowingly accept or receive a contribution prohibited by section 441b(a).

5. 2 U.S.C. § 441f prohibits: (1) making a contribution in the name of another; (2) knowingly permitting one's name to be used to effect such a contribution; and (3) knowingly accepting such a contribution. In addition, no person may knowingly help or assist any person in making a contribution in the name of another. 2 U.S.C. § 441f; 11 C.F.R. § 110.4(b)(1)(iii). This prohibition also applies to any person who provides money to others to effect contributions in their names. 11 C.F.R. §110.4(b)(2).

Factual Background

6. In February 2003, LifeCare's Board, through its outside counsel, commenced a general internal investigation to examine company finances and business practices. That investigation led to a more focused internal investigation into certain political contributions made by LifeCare personnel, and the findings of this investigation were voluntarily disclosed to the Commission. Further investigation revealed significant correlations between 1) federal contributions made by Mr. LeBlanc, Mr. Boucher, and their spouses and 2) their receipt of bonuses, salary increases and expense reimbursements from LifeCare and LMS between 1997 and 2002. Mr. LeBlanc,

MUR 5398
Conciliation Agreement with Life Care Holdings, Inc
and Life Care Management Services, LLC

Mr. Boucher and their spouses have provided no explanation for this correlation and did not cooperate with the Commission's investigation of this matter.¹

7. Between 1997 and late 2002, Mr. LeBlanc had sole authority to award discretionary bonuses to LifeCare employees and to adjust salaries of certain managers including Mr. Boucher. Mr. LeBlanc did not notify, report to, or otherwise inform the LifeCare Board of his decisions in this regard. Mr. Boucher reported directly to Mr. LeBlanc and submitted his expense reports to Mr. LeBlanc for review and approval. During the applicable period, Mr. Boucher received numerous discretionary bonuses authorized by Mr. LeBlanc. The number of discretionary bonuses he received was disproportionate to those received by other LifeCare employees.

8. LifeCare's Board of Directors never approved and was unaware of the discretionary bonuses Mr. LeBlanc awarded to Mr. Boucher, the expense reports submitted by Mr. Boucher and approved by Mr. LeBlanc, the adjustments Mr. LeBlanc made to Mr. Boucher's salary or the questioned political contributions.

9. After LifeCare's Board discovered the existence of potential correlations between political contributions and the receipt of bonuses, salary increases and expense reimbursement payments, it commenced an internal investigation which gave rise to the voluntary disclosure made to the Commission.

10. Respondents have cooperated with the Commission throughout the course of its investigation and this level of cooperation helped to facilitate the timely resolution of the matter with respect to LifeCare.

¹ Although the investigation also identified a few potential correlations involving other LifeCare personnel who made federal contributions during the same time period, those individuals cooperated with the Commission's investigation.

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

Donald and Beverly Boucher Contributions

11. Donald Boucher, or his spouse Beverly Boucher, made \$ 62,502.24 in political contributions in their own names to the federal committees indicated on the dates provided, for which Mr. Boucher may have received reimbursement.

DATE	COMMITTEE	AMOUNT
4/30/1997	Democratic Congressional Campaign Committee	\$3000
6/20/1997	Ensign for Senate	\$ 500
7/25/1997	Ensign for Senate	\$1,500
7/25/1997	Ensign for Senate	\$1,500
11/7/1997	Friends of Sam Johnson	\$1,000
1/16/1998	John Breaux Committee	\$1,000
1/16/1998	John Breaux Committee	\$1,000
3/5/1998 ²	Ensign for Senate	\$1,000
3/5/1998 ³	Ensign for Senate	\$1,000
3/30/1998	Friends of Sam Johnson	\$1,000
6/4/1998	McCrery for Congress Committee	\$ 200
10/28/1998 ⁴	Friends of Sam Johnson	\$1,000
2/19/1999	Mainstream America Political Action Committee	\$1,000
6/11/1999	Committee for the Preservation of Capitalism	\$4,500
3/3/2000	Ensign for Senate	\$1,000
3/7/2000	Friends of Sam Johnson	\$ 900
3/31/2000	Ensign for Senate	\$1,000
5/9/2000	Friends of Mary Landrieu, Inc.	\$1,000
5/12/2000 ⁵	Committee for the Preservation of Capitalism	\$2,000
6/19/2000	Texas for Senator John Cornyn for Senate	\$ 500
6/24/2000	Friends Mary Landrieu, Inc	\$ 500
6/25/2000	Jefferson Committee	\$ 500
6/25/2000	Jefferson Committee	\$ 500
7/12/2000	Pete Sessions for Congress 2002	\$1,000
7/24/2000	Friends for Harry Reid	\$1,000
7/28/2000	National Leadership PAC	\$1,000
8/8/2000 ⁶	Friends of Sam Johnson	\$3,000

² Contribution made by Beverly Boucher, wife to Donald Boucher.

³ Contribution made by Beverly Boucher, wife to Donald Boucher.

⁴ Contribution made by Beverly Boucher, wife to Donald Boucher

⁵ Boucher received a retroactive salary adjustment on the same day.

⁶ Three in-kind contributions described as tickets purchased to Texas Rangers baseball games were reported made by Beverly Boucher - \$1000; Chris LeBlanc (David LeBlanc's son) - \$1000; and another LifeCare employee - \$1,000.

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

8/10/2000	Jefferson Committee	\$1,000
8/25/2000	Friends of Phil Gramm	\$1000
8/31/2000	Dickey for Congress Campaign Committee	\$1000
9/20/2000	Kay Bailey Hutchison for Senate	\$1,000
10/10/2000	Roth Senate Committee	\$1,000
10/17/2000	Friends of Sam Johnson	\$ 900
10/18/2000	Kay Granger Campaign	\$1,000
10/22/2000	Friends of Mary Landrieu, Inc.	\$1,000
11/3/2000	Ensign for Senate	\$ 750
11/8/2000	Pete Sessions for Congress 2002	\$1,000
1/12/2001 ⁷	Friends of Sam Johnson	\$1975
1/30/2001	People for Enterprise Trade & Economic Growth	\$1,000
1/30/2001	People for Enterprise Trade & Economic Growth	\$ 400
2/9/2001	Friends of Phil Gramm	\$1,000
2/9/2001	Friends of Phil Gramm	\$1,000
3/6/2001	Friends of Sam Johnson	\$1,000
4/24/2001	Congressional Majority Committee	\$1,000
5/11/2001 ⁸	Friends of Phil Gramm	\$1,000
6/27/2001	Johnson for Congress Committee	\$1,000
7/30/2001	Jefferson Committee	\$ 500
8/13/2001 ⁹	Friends of Sam Johnson	\$1000
9/27/2001	Kay Granger Campaign Fund	\$1,000
10/1/2001 ¹⁰	Friends of Phil Gramm	(\$1,000)
11/15/2001	Hobson for Congress	\$1,000
12/13/2001	Texans for Senator John Cornyn for Senate	\$1,000
12/20/2001	Friends of Jeb Hensarling	\$1,000
4/2/2002 ¹¹	Scott Arney for U.S. Congress	\$744.24
4/3/2002	Scott Arney for U.S. Congress	\$1,000
6/25/2002	Pete Sessions for Congress 2004	\$1,000
See footnote ¹²	Friends of Sam Johnson	\$ 702

⁷ Reimbursement by LifeCare as "inaugural activities" to Donald Boucher.

⁸ Contribution made by Beverly Boucher, wife to Donald Boucher.

⁹ Contribution made by Beverly Boucher, wife to Donald Boucher.

¹⁰ Reimbursement reported by the Committee.

¹¹ Open House fundraiser.

¹² Purchased books for Rep. Sam Johnson Reimbursed by LifeCare pursuant to various expense reports submitted by Donald Boucher in Nov. 1998, Sept 2000, Feb. 2001, March 2001, July 2001, June 2002, July 2002, and Aug. 2002.

MUR 5398
 Conciliation Agreement with Life Care Holdings, Inc.
 and Life Care Management Services, LLC

04/11/2002 ¹³	Friends of Sam Johnson	\$ 470
See footnote ¹⁴	Kay Bailey Hutchison for Senate	\$ 228
TOTAL		\$62,502.24

12. In 1997, Mr. Boucher received four expense reimbursement payments totaling \$6,000 that, based on their amount and time of receipt, appear to have been made to cover the cost of certain federal contributions Mr. Boucher was about to make. All four of the expense reimbursement payments were made within two weeks of the date a federal contribution was made by Mr. Boucher. Mr. Boucher's expense reports were submitted to and subject to approval by Mr. LeBlanc. A more detailed description of the potential correlation between Mr. Boucher's expense reimbursements and his federal contributions is provided below:

a. On April 18, 1997, Mr. Boucher submitted a check request to LifeCare for \$3,000 for attending an April 26, 1997 fundraising event to benefit the Democratic Congressional Campaign Committee ("DCCC"). Records accompanying the expense report suggest that a check was issued to Mr. Boucher for that amount, including an additional \$13.74 to cover certain Federal Express costs, on April 21, 1997. The DCCC reported receiving a \$3,000 personal contribution from Mr. Boucher on April 30, 1997.

b. On June 4, 1997, Mr. Boucher submitted a check request payable to himself for \$500. The purpose for the request is described as "Fundraiser for Senator John Ensign." The \$500 was paid to Mr. Boucher as part of an expense check issued to him on

¹³ LifeCare contribution for purchasing Rep Sam Johnson's books

¹⁴ Reimbursements by LifeCare made on Aug. 24 and Aug. 31, 2000 for books and souvenirs purchased by Donald Boucher from Hutchison for Senate.

MUR 5398
Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

June 10, 1997. Ensign for Senate reported receiving a \$500 personal contribution from Mr. Boucher on June 20, 1997.

c. On July 15, 1997, Mr. Boucher submitted an expense report for \$1,500. The expense report contained no description for the expenses other than the statement "expenses incurred on behalf of LMS." An expense check was issued to Mr. Boucher for \$1,500 on July 14, 1997. The fact that the expense check pre-dates the expense report suggests that the request had been made and approved and the check issued prior to the submission of the paperwork. On July 25, 1997, Ensign for Senate reported receipt of two personal contributions from Mr. Boucher totaling \$1,500.

d. On October 26, 1997, an "expense advance" for \$1,000 was requested as part of an expense report submitted by Mr. Boucher, with no explanation for the advance. An expense check, including payment of the \$1,000 advance, was issued to Mr. Boucher on October 27, 1997. Friends of Sam Johnson reported receipt of a contribution in this amount from Mr. Boucher on November 7, 1997.

13. During 1998-2002, Mr. Boucher received discretionary bonuses and salary adjustments that potentially correlate with political contributions he and his wife made. These discretionary bonuses were awarded by Mr. LeBlanc without the approval or knowledge of LifeCare's Board of Directors. Examples of some of the potential correlations are provided below:

a. On January 16, 1998, the John Breaux Committee reported the receipt of two contributions of \$1,000 apiece from Mr. Boucher. On January 26, 1998, Mr. Boucher requested a check from LifeCare payable to himself for \$2,500 – with instructions to

MUR 5398
Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

overnight the check to his home. The purpose for the request is described as "[service] expenses related to LANT." Mr. Boucher's check request was subject to approval by Mr. LeBlanc. A check was issued to Mr. Boucher for \$2,500 on January 27, 1998.

b. On May 29, 1998, Mr. Boucher received a \$4,000 bonus for a "job well done." No further explanation or justification for the bonus was provided. During the period between March 5, 1998, and June 4, 1998, federal political committees reported the receipt of a total of \$3,200 in contributions from Mr. Boucher and his wife.

c. On November 13, 1998, Mr. LeBlanc made an upward adjustment of \$1,300 to Mr. Boucher's paycheck for that pay period – indicating in the bonus request a net adjustment of \$1,000. On October 28, 1998, Friends of Sam Johnson reported receipt of a \$1,000 contribution from Beverly Boucher.

d. On February 19, 1999, Mr. Boucher received a \$1,400 bonus (described in the request from Mr. LeBlanc as a "one time bonus" and "\$1,000 net"). On that same day, the Mainstream America Political Action Committee reported receipt of a \$1,000 contribution from Mr. Boucher.

e. Although lacking in temporal proximity, Mr. Boucher received a \$4,500 bonus on November 26, 1999, that corresponds in amount to a \$4,500 contribution he made to the Committee for the Preservation of Capitalism. The Committee reported receipt of Mr. Boucher's \$4,500 contribution on June 11, 1999.

f. On March 31, 2000, Mr. Boucher received a \$3,108 bonus (the request by Mr. LeBlanc indicates the net to be \$2,000). Receipt of the bonus payment coincides with two contributions Mr. Boucher made totaling \$1,900. More specifically, on March 7, 2000, Friends of Sam Johnson reported receipt of a \$900 contribution from

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

Mr. Boucher, and on March 31 – the same day Mr. Boucher received the bonus – Ensign for Senate reported receipt of a \$1,000 contribution from Mr. Boucher.

g. On May 12, 2000, Mr. Boucher received a \$3,072 increase to his salary. The description is for “retro increase to \$100,000 salary effective from Jan. 2000.” The increase coincides with contributions by Mr. Boucher to Friends of Mary Landrieu and the Committee for the Preservation of Capitalism totaling \$3,000, \$1,000 to Friends of Mary Landrieu reported received on May 9, 2000, and \$2,000 to the Committee for the Preservation of Capitalism reported received on May 12, 2000 -- the same day Mr. Boucher received the retroactive salary adjustment.

h. In addition to receiving a retroactive salary increase on May 12, 2000, Mr. Boucher that same day also received an \$18,000 payment from LifeCare – the net of this amount is listed as “\$13,023.” Mr. Boucher proceeded to make 15 federal contributions over the course of the next several months (July – November 2000) totaling \$13,650.

i. On June 21, 2002, Mr. Boucher received a \$3,000 payment at Mr. LeBlanc’s direction. An e-mail forwarded by Mr. LeBlanc to the Vice President for Human Resources describes the bonus payment as follows: “This is for a variety of Gov’t Relations Expenses which are w/o receipt and I needed to reimburse [sic] him.” The \$3,000 payment coincides in timing and amount with certain political contributions made by Mr. Boucher. Specifically, on June 19, 2002, John Cornyn for Senate reported receipt of a \$500 contribution from Mr Boucher. On June 24, 2002, a \$500 contribution was reported received from Mr. Boucher by Friends of Mary Landrieu. On June 25, 2002, Pete Sessions for Congress reported receipt of a \$1,000 contribution from Mr. Boucher.

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

Finally, on June 25, 2002, The Jefferson Committee reported receipt of two contributions of \$500 apiece from Mr. Boucher. Thus, contributions totaling \$3,000 were made within a few days of the date Mr. Boucher received a \$3,000 payment from the Company to cover his "governmental expenses."

14. An expense report submitted for Mr. Boucher indicates he acquired and was reimbursed by LifeCare for purchasing \$3,250 in tickets to Texas Rangers baseball games for July 27, 2001 and/or August 8, 2001. Mr. Boucher's expense report describes the purpose as being for a "Congressman Sam Johnson Fundraiser." Friends of Sam Johnson reported the receipt of three in-kind contributions of \$1,000 apiece for "baseball fundraising" for an August 8, 2001 fundraising event. The three individuals identified by Friends of Sam Johnson as the in-kind contributors were Mrs. Beverly Boucher (Mr. Boucher's wife), Chris LeBlanc (David LeBlanc's son, who was working as an assistant at the time to Mr. Boucher), and another LifeCare employee. The employee has no recollection of purchasing tickets or making any in-kind or other contribution on behalf of Rep. Johnson's campaign, and no document or other record has been identified to suggest he did. According to FEC records, Friends of Sam Johnson received a \$1,000 contribution from Mr. Boucher on March 6, 2001; thus, he had contributed the maximum amount an individual could contribute at that time to that Committee.

15. LifeCare reimbursed Mr. Boucher for certain expenses relating to hosting an "open house" or reception for Rep. Pete Sessions (R-TX) on August 31, 2002. Although the nature of the event is not clear, people attending the event may have made campaign contributions to the Congressman's campaign. Two other LifeCare executives hosted similar "open houses." One executive hosted an event for Rep. Sessions on

MUR 5398
Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

September 3, 2002. The executive was reimbursed \$1,085.41 by LifeCare for expenses relating to the event. Another executive hosted an "open house" for Scott Arney (a candidate for the U.S. House of Representatives) on April 2, 2002 immediately prior to the Texas [primary] election. This executive was reimbursed \$744.24 for expenses relating to the event. Both events were hosted at the suggestion of Mr. Boucher.

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16. According to Mr. Boucher's expense reports, he was reimbursed \$702 by LifeCare for multiple purchases of books authored by Rep. Sam Johnson, and other incidental items. According to receipts obtained in connection with Mr. Boucher's expense reports, the purchases were made from Friends of Sam Johnson. The Committee's reports to the FEC treat the payments as "reimbursements" – not as contributions. LifeCare also made a direct payment to Friends of Sam Johnson in the amount of \$470.00 to purchase copies of the Congressman's books. Mr. Boucher was reimbursed \$1,975.00 by LifeCare for a payment he made by check dated January 12, 2001 to Friends of Sam Johnson for "inaugural activities." Similar to its treatment of payments for book purchases, the Committee reported the receipt of the payment as a reimbursement.

17. According to Mr. Boucher's expense reports, he expensed and was reimbursed \$228.00 by LifeCare for the purchase of books and denim shirts from Kay Bailey Hutchinson for Senate. No disclosure entry by Kay Bailey Hutchison for Senate in its FEC reports appears to correspond with this payment.

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

David and Hedy LeBlanc Contributions

18. David LeBlanc, or his spouse Hedy LeBlanc, made \$45,000 in political contributions in their own names to the federal committees indicated on the dates provided, for which Mr. LeBlanc may have received reimbursement from LifeCare.

DATE	COMMITTEE	AMOUNT
3/30/1998	Friends of Sam Johnson	\$1,000
3/31/1998	Baker for Congress Committee	\$1,000
3/31/1998 ¹⁵	Baker for Congress Committee	\$1,000
6/1/1998	John Breaux Committee	\$1,000
8/18/1998	Jefferson Committee	\$1,000
3/5/1999	Citizens for Harkin	\$1,000
3/5/1999	Citizens for Harkin	\$1,000
3/31/1999	Bush for President	\$ 500
3/31/1999	Bush for President	\$ 500
4/29/1999	Kay Bailey Hutchinson	\$1,000
11/8/1999	Friends of Sam Johnson	\$1,000
3/31/2000	Ensign for Senate	\$1,000
3/31/2000	Baker for Congress Committee	\$ 250
3/31/2000 ¹⁶	Baker for Congress Committee	\$ 250
5/11/2000 (Prim.)	Friends of Max Baucus 2002	\$1,000
5/11/2000 (Gen.)	Friends of Max Baucus 2002	\$1,000
5/20/2000	Committee for the Preservation of Capitalism	\$3,000
7/24/2000	Friends for Harry Reid	\$1,000
7/28/2000	National Leadership PAC	\$1,000
8/25/2000 ¹⁷	Friends of Phil Gramm	\$1,000
8/25/2000	Friends of Phil Gramm	\$1,000
9/19/2000	Friends of Sam John	\$1,000
9/10/2000 ¹⁸	Ensign for Senate	\$ 500
10/1/2000	Roth Senate Committee	\$1,000
3/6/2001	Friends of Sam Johnson	\$ 500
3/6/2001 ¹⁹	Friends of Sam Johnson	\$ 500
3/6/2001 ²⁰	Friends of Sam Johnson	\$1,000
4/11/2001	Kay Granger Campaign Fund	\$1,000
4/21/2001	Congressional Majority Committee	\$1,000

¹⁵ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

¹⁶ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

¹⁷ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

¹⁸ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

¹⁹ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

²⁰ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

5/10/2001	Committee for Preservation of Capitalism	\$2,500
5/11/2001	Friends of Phil Gramm	\$1,000
5/11/2001 ²¹	Friends of Phil Gramm	\$1,000
6/27/2001 ²²	Johnson for Congress Committee	\$1,000
10/1/2001	Friends of Phil Gramm	(\$1,000)
10/1/2001	Friends of Phil Gramm	(\$1,000)
10/1/2001 ²³	Friends of Sam Johnson	\$1,000
10/29/2001 ²⁴	Congressional Majority Committee	\$5,000
9/4/2002 ²⁵	Pete Sessions for Congress 2002	\$1,000
11/1/2002	John Cornyn for Senate, Inc.	\$1,000
11/1/2002 ²⁶	John Corny for Senate, Inc.	\$1,000
	TOTAL	\$ 42,500

Admissions, Penalties and Remedial Action

V. Respondents LifeCare and LMS do not contest that the activity described above violated 2 U.S.C. §§ 441b(a) and 441f. In recognition of the Respondents' self-reporting and cooperation in this matter, the Commission has made no finding of knowing and willful violations against Respondents LifeCare and LMS based on the activities of their former employees. The Commission also has determined to take no further action against any current LifeCare employee as of April 1, 2005 in connection with this matter.

VI. Respondents LifeCare and LMS agree to pay a civil penalty to the Federal Election Commission in the amount of \$50,000, pursuant to 2 U.S.C. § 437g(a)(5)(B). This civil penalty reflects a reduction from the penalty the Commission would have sought if the violations had not been voluntarily disclosed. Respondents will cease and desist from violating 2 U.S.C. §§ 441b(a) and 441f.

²¹ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

²² Contribution made by Hedy LeBlanc, wife of David LeBlanc.

²³ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

²⁴ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

²⁵ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

²⁶ Contribution made by Hedy LeBlanc, wife of David LeBlanc.

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MUR 5398
Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

VII. To prevent future violations of 2 U.S.C. §§ 441b(a) and 441f, Respondents LifeCare and LMS have strengthened their corporate policies and employee Code of Conduct to address more directly and fully the illegality of reimbursing political contributions. In addition, LifeCare will conduct a training program for LifeCare executives to promote their understanding and future compliance with the federal laws regulating political contributions.

VIII. Respondents understand that the recipients of the campaign contributions referenced herein may be asked by the Commission, or may decide absent any such request, to disgorge the above-referenced contributions. Respondents waive any and all claims they may have to the refund or reimbursement of such contributions and in such cases will instruct the recipient committee to disgorge the refund or reimbursement to the U.S. Treasury and notify the Commission in writing of this instruction.

Other Provisions

IX. LifeCare has confirmed that, in so far as it is aware, the contributions listed in this Conciliation Agreement represent the entirety of federal political contributions known to have been potentially reimbursed. If at any time before May 1, 2010, LifeCare or any of its employees or agents learn of facts which indicate that additional federal political contributions may have been reimbursed using LifeCare funds, LifeCare will immediately report these facts to the Commission. If LifeCare fails to report such information and the Commission learns at any time after the execution of this Agreement that there were additional federal political contributions reimbursed by LifeCare, the Commission will consider this Conciliation Agreement to have been violated by LifeCare and any such contributions will be subject to further enforcement action by the

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

Commission against LifeCare and any respondent involved in the additional contribution.

LifeCare agrees to waive any applicable statute of limitations for any such action brought by the Commission.

X. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

XI. This agreement shall become effective, as of the date that all parties hereto have executed the same and the Commission has approved the entire agreement.

XII. With the exception of the obligations set forth in Paragraph VIII and IX, Respondents shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

XIII. This Conciliation Agreement resolves and constitutes the entire agreement between the Respondents and the Commission on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

MUR 5398

Conciliation Agreement with Life Care Holdings, Inc.
and Life Care Management Services, LLC

FOR THE COMMISSION:

Lawrence H. Norton
General Counsel6/7/05
Date

BY:

Rhonda J. Vosdigh
Rhonda J. Vosdigh
Associate General Counsel

FOR THE RESPONDENTS:

04/11/2005
Date

BY:

N. Bradley Litchfield
N. Bradley Litchfield, Esq.
William J. Farah, Esq.
Oldaker, Biden & Belair, LLP04/11/2005
Date

BY:

Stuart M. Gerson^{ca}
Stuart M. Gerson, Esq.
Epstein Becker & Green, P.C.SV^{ca} (17)